December 31, 2014

Senator Mike Gloor, District 35
Room #1401
P.O. Box 94604
Lincoln, NE 68509

Dear Senator Gloor,

This letter is the progress report for ***Participation Agreement to recognize and reform payment structures to support Patient Centered Medical Home*** program.

PCMH Contracting Successes Realized

In year one (2014) of our commitment to we did not realize the goal of ten active PCMH contracts that provide payment mechanisms that recognize value beyond the fee-for-service payment model. We did engage in preliminary discussions with SERPA-ACO to design a PCMH-friendly agreement, and eight practices have completed the contractual foundation for value-based payment options, a 3-way provider agreement. We also are in dialog with a central Nebraska employer and civic leader about an innovative contract approach. Work will continue in 2015 to craft a payment that recognizes the additional costs of practice transformation in a way that can be administered effectively.

Although we experienced delays in achieving our goals for value-based payment mechanisms, we continued to our support of PCMH practice transformation through a data quality pilot with SERPA-ACO and offering of the Rural Health Clinic Practice Transformation Learning Collaborative as part of our multi-year Integrated Care Study.

PCMH Contracting Challenges Faced

We faced a number of challenges to rolling out payment innovations:

Infrastructure Constraints

We outsource provider network, membership and claims operations and contracted to use their traditional transactional processing. Changes to the existing framework comes at a price in time and money, especially for delivering per member per month features.

The wide extent of existing contracts and the scope of work to incorporate value-based payment terms is daunting.

Benefit/Payment Design Uncertainty

Determining what incentives are relevant to providers and capable of cost effective administration is a challenge to provider and payer alike.

Difficulty managing attribution among mobile patient populations.

Analytics Adequacies

We find most practices have challenges staffing for analytic needs for collection and evaluation.

As a new payer, we lack a critical mass of Nebraska claims experience that is needed for statistically valid risk-adjustment, case mix consideration and segmentation that is crucial to our Total Cost of Care/Relative Resource Values technique. As we complete this first year of operation, our own claims data is accumulating to provide reliable analytic insights, but we are working to find valid reference data to provide meaningful comparisons.

Results Year 2014
Number of active contracts with PCMH payment mechanisms is zero as of 11/30/14. We have signed eight foundational contracts that will support value-based contracting in the future.

We are committed to the vision of transformed payment frameworks to support practices that are transforming the delivery of health care. If you have questions or comments, please contact me.

Dexter Bodin
Vice President Provider Relations & Network Administration